



Framework report prepared by the Board of Directors of “Viscofan S.A.” regarding the proposals for the re-election of directors under points five and six of the Agenda to the General Shareholders’ Meeting of 2019.

This framework report was prepared and approved by the Board of Directors of Viscofan, S.A. ("Viscofan" or the "Company") in the meeting held on 28 February 2019 as set forth in Article 529 decies of the Corporate Enterprises Act, regarding: (i) the proposal for the re-election of Mr. José Domingo de Ampuero y Osma as executive director and (iii) the proposal for the re-election of Mr. Juan March de la Lastra as non-executive dominical director.

As set forth in Article 529 decies.5 of the Corporate Enterprises Act, Article 8 of the Board of Directors Regulations, the proposal for appointment or re-election of a director must always be accompanied by a reasoned report from the Board of Directors, which assesses the competency, experience and merits of the proposed candidate.

The proposals for re-election are submitted to the General Shareholders' Meeting after a favourable report from the Remuneration and Appointments Committee of Viscofan (the "Committee") on 23 January 2019 as set forth in Article 529 decies.6 of the Corporate Enterprises Act and Article 16 of the Board of Directors Regulations.

Notwithstanding the above and in accordance with the provisions established in the Viscofan Directors Screening Policy, a prior analysis of Board of Director's needs has been undertaken, which is submitted to the shareholders as part of the information of the General Shareholders' Meeting to which the re-election proposals are submitted.

For these purposes, the Board of Directors takes responsibility for the report issued by the Committee, which includes the following sections in summarised form:

- Previous analysis and justification of the proposals as a whole; in particular, the convenience in Viscofan of the executive chairman position and its compatibility with the General Director/CEO of the Viscofan Group, as well as the decision to re-elect a dominical director for Corporación Financiera Alba S.A.

Verification of the availability and commitment of the candidates with the functions of their positions and that they are neither directly or indirectly affected by any incompatibilities, prohibitions or conflict of interests with the corporate interest set forth in the general and company regulations that apply to them.

- Referral to the individual supporting documents regarding the suitability of the proposed candidates for the re-election of Mr. José Domingo de Ampuero y Osma as executive director and Mr. Juan March de la Lastra as non-executive dominical director of the Company.

Attached as annex of this framework report of the Board of Directors is the report issued by the Committee, which is accepted in its entirety.



ANNEX

Framework report prepared by the Appointments and Remuneration Committee of "Viscofan, S.A." regarding the re-election of directors, approved on 23 January 2019

The Appointments and Remunerations Committee (the "**Committee**") of Viscofan S.A. ("**Viscofan**" or the "**Company**"), in compliance with its mission to propose to the Board of Directors the appointment or re-election of independent Directors and to report on the appointment or re-election of the remaining Directors, as set out in article 529 decies.6 of the Corporate Enterprises Act, as well as in Article 30 of the Bylaws and Articles 8 and 14 of the Regulations of the Company's Board of Directors, prepares this report for submission to the Board of Directors. Mr. Juan March de la Lastra has abstained from its preparation, discussion and approval due to the examination of his suitability to re-election as a Company director, among the examination of other matters.

The term of the two directors of the Company ends in 2019, specifically that of Mr. José Domingo de Ampuero y Osma as Executive Chairman of the Company and Mr. Juan March de la Lastra as non-executive dominical director. As a result of the above, there are two vacancies in the Board of Directors and the Committee must prepare the corresponding reports for the proposals that must be submitted at the upcoming General Shareholders' Meeting.

Firstly, the Committee has assessed the situation and needs of the Board of Directors as a whole, regarding the competencies, experience and knowledge of the candidates and reached the following conclusions:

- a) The convenience in Viscofan of the Executive Chairman position and its compatibility with the General Director /CEO of the Viscofan Group.

The debate as to the convenience or not of separating the positions of Chairman of the Board of Directors and that of CEO of the Company is well-known and the conclusion of the majority is that what is relevant in this debate is to resolve the risk of "agency conflict" that may place value creation for the shareholder at risk. That is, each company must choose the model that best suits its circumstances, both internal and organisational, or external.

In Viscofan, this risk of "agency conflict" is adequately resolved by both the corporate good governance mechanisms, which impede accumulation of power in the hands of a single individual and external factors, derived from the shareholder structure itself.

Primarily, Viscofan has a position of Coordinating Director, held by Mr. José María Aldecoa Sagastasoloa. In this section, the amendment to the Regulations of the Board of Directors, dated 25 May 2018 should be noted, which has reinforced the authority of the position of Coordinating Director and the current version of Article 11 of the Regulations of the Board of Directors includes those



contained in Recommendation 34 of the Good Governance Code of listed companies.

Secondly, the governance and management model of Viscofan, a multinational company with production in more than 18 countries and sales in more than 100, determines the convenience of the co-existence of an Executive Chairman and a General Director/CEO of the Group. This matrix-based model, which is decentralised and complex, requires the Chairman of the Board of Directors to exercise permanent leadership and oversight of the progress of business, not only of the parent company Viscofan, S.A., but of the Group, as well as a permanent commitment to the defence of the social interest, such that whomever takes on this responsibility must be qualified as a Company executive. As a reflection of this model, it must also be highlighted that the General Director/CEO of the Viscofan Group, Mr. José Antonio Canales García was re-elected as Executive Director in the General Shareholders' Meeting of 2018 for a period of four (4) years, upheld by 99.71% of shareholder votes.

Finally, it should be noted that the participation of dominical directors in the Board of Directors, representing relevant shareholders with long-term standing and vocation, mitigates the potential risk of excessive accumulation of power in the hands of a Chairman of the Board of Directors who also has executive authority.

b) The convenience of re-electing a dominical director of Corporación Financiera Alba S.A.

This Committee positively assesses the presence of a dominical director of Corporación Financiera Alba S.A. in the Company's Board of Directors.

Mr. Juan March de la Lastra was named director of the Company by the General Shareholders' Meeting of 7 May 2015. The report issued at that time by the Committee mentioned the convenience of increasing the number of directors from 9 to 10, which was approved by the General Shareholders' Meeting, including a positive assessment regarding a relevant shareholder with long-term dedication to Corporación Financiera Alba S.A. - then holder of 6.79% of the Company's share capital- be represented in the Board of Directors.

After four (4) years, the Committee again positively assesses the presence of a dominical director in the Company's Board of Directors.

The commitment of this shareholder with the Company, the defence of the social interest and sustainable, long-term creation of value continues in place and his involvement in these last four years in this regard has increased.

Moreover, the representativeness of the relevant shareholder in the Board of Directors is understood as a right in the Corporate Enterprises Act (Article 243) and is aligned with both international and domestic best practices of good governance, (Recommendation 16 of the Good Governance Code of listed companies).



In addition to the above, the Committee has taken into consideration the following in this report:

- (i) the composition and structure of the Company's Board of Directors;
- (ii) the diversity and, in particular, gender diversity, in order to achieve the objective of representation of the under-represented and
- (iii) that the candidates guarantee the dedication required to carry out their duties beyond the objective requirements of membership of other Boards established by internal regulations.
- (iv) to facilitate the continuity of the Company project, especially as regards the execution of the strategic plan MORE TO BE 2016-2020 in benefit of the shareholders.
- (v) the position of Executive Director counts on the support of the coordinating director. Mr. José María Aldecoa Sagastasoloa who has the authority, as set forth in Article 18 of the Board of Directors Regulations, to head the periodic assessment of the Chairman of the Board of Directors and which includes the opinion of the independent board members, as established in the governance regulations.

Concluding from all of the above, the most convenient option for the needs of the Company and its Group has been to re-elect the current directors Mr. José Domingo de Ampuero y Osma and Mr. Juan March de la Lastra for a new term of four (4) years and to provide a favourable report for the corresponding re-election proposals that will eventually be submitted for approval to the General Shareholders' Meeting of 2019.

Thus, no changes are made to the composition of the current Board of Directors, which has provided satisfactory results in the creation of value for the shareholder and remains balanced as regard (i) the percentage of executive directors, which is as required given the complexity of the Viscofan Group, while the large majority are dominical and independent directors (Recommendation 15 of the Good Governance Code of listed companies and (iii) the adequate representation of dominical shareholders. In sum, 20% of the Board of Directors will be comprised of executive directors and 80% of non-executive directors, of which 20% will be dominical directors, 40% independent board members and 20% other external board members. This composition has deserved the support of the majority of shareholders in the General Shareholders' Meetings of previous years, specifically that of 2018.